

State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 3743

03/31/2016 Authored by Poppe

The bill was read for the first time and referred to the Committee on Agriculture Policy

1.1 A bill for an act
1.2 relating to agriculture; increasing bond amounts for certain grain buyers;
1.3 modifying grain buyer requirements; requiring a report; amending Minnesota
1.4 Statutes 2014, sections 223.17, subdivision 4; 223.175.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2014, section 223.17, subdivision 4, is amended to read:

1.7 Subd. 4. **Bond.** (a) Before a grain buyer's license is issued, the applicant for
1.8 the license must file with the commissioner a bond in a penal sum prescribed by the
1.9 commissioner but not less than the following amounts:

1.10 (1) ~~\$10,000~~ \$20,000 for grain buyers whose gross annual purchases are \$100,000 or
1.11 less;

1.12 (2) ~~\$20,000~~ \$40,000 for grain buyers whose gross annual purchases are more than
1.13 \$100,000 but not more than \$750,000;

1.14 (3) ~~\$30,000~~ \$60,000 for grain buyers whose gross annual purchases are more than
1.15 \$750,000 but not more than \$1,500,000;

1.16 (4) ~~\$40,000~~ \$80,000 for grain buyers whose gross annual purchases are more than
1.17 \$1,500,000 but not more than \$3,000,000;

1.18 (5) ~~\$50,000~~ \$100,000 for grain buyers whose gross annual purchases are more than
1.19 \$3,000,000 but not more than \$6,000,000;

1.20 (6) ~~\$70,000~~ \$150,000 for grain buyers whose gross annual purchases are more than
1.21 \$6,000,000 but not more than \$12,000,000;

1.22 (7) ~~\$125,000~~ \$200,000 for grain buyers whose gross annual purchases are more than
1.23 \$12,000,000 but not more than \$24,000,000; and

(8) ~~\$150,000~~ \$250,000 for grain buyers whose gross annual purchases exceed \$24,000,000.

(b) A grain buyer who has filed a bond with the commissioner prior to July 1, ~~2004~~ 2016, is not required to increase the amount of the bond to comply with this section until July 1, ~~2005~~ 2017. The commissioner may postpone an increase in the amount of the bond until July 1, ~~2006~~ 2018, if a licensee demonstrates that the increase will impose undue financial hardship on the licensee, and that producers will not be harmed as a result of the postponement. The commissioner may impose other restrictions on a licensee whose bond increase has been postponed. The amount of the bond shall be based on the most recent gross annual grain purchase report of the grain buyer.

(c) A first-time applicant for a grain buyer's license shall file a ~~\$50,000~~ \$75,000 bond with the commissioner. This bond shall remain in effect for the first year of the license. Thereafter, the licensee shall comply with the applicable bonding requirements contained in paragraph (a), clauses (1) to (8).

~~(d) In lieu of the bond required by this subdivision the applicant may deposit with the commissioner of management and budget cash, a certified check, a cashier's check, a postal, bank, or express money order, assignable bonds or notes of the United States, or an assignment of a bank savings account or investment certificate or an irrevocable bank letter of credit as defined in section 336.5-102, in the same amount as would be required for a bond.~~

~~(e)~~ (d) Bonds must be continuous until canceled. To cancel a bond, a surety must provide 90 days' written notice of the bond's termination date to the licensee and the commissioner.

(e) At each licensed location, the licensee must post in a conspicuous location the current dollar amount of the bond the licensee filed with the commissioner under paragraph (a). This notice also must inform grain sellers which transactions are or are not covered by the bond.

Sec. 2. Minnesota Statutes 2014, section 223.175, is amended to read:

**223.175 WRITTEN VOLUNTARY EXTENSION OF CREDIT CONTRACTS;
FORM.**

A written confirmation required under section 223.177, subdivision 2, and a written voluntary extension of credit contract must include those items prescribed by the commissioner by rule. A contract shall include a statement of the legal and financial responsibilities of grain buyers and sellers established in this chapter as well as contact information for at least two insurance companies or agents that sell policies intended to

3.1 protect grain sellers who enter into voluntary extension of credit contracts. A contract
3.2 shall also prominently include the following statement in not less than ten 14 point,
3.3 all capital type, framed in a box with space provided for the seller's signature: "THIS
3.4 CONTRACT CONSTITUTES A VOLUNTARY EXTENSION OF CREDIT. UNLIKE
3.5 A SALE BY CASH OR CHECK, THIS CONTRACT IS NOT COVERED BY ANY
3.6 GRAIN BUYER'S BOND. THE SELLER ACKNOWLEDGES THAT INSURANCE
3.7 MAY BE PURCHASED THROUGH A THIRD PARTY. INSURANCE MAY PROTECT
3.8 THE SELLER IF THE BUYER IS UNABLE TO PAY IN THE MANNER SPECIFIED
3.9 IN THIS CONTRACT. THIS CONTRACT INCLUDES THE NAMES AND PHONE
3.10 NUMBERS OF THIRD PARTIES THAT OFFER THIS TYPE OF INSURANCE. THE
3.11 SELLER SHOULD REQUEST A QUOTE FROM SEVERAL INSURERS BEFORE
3.12 PURCHASING A POLICY." If a written contract is provided at the time the grain is
3.13 delivered to the grain buyer, the seller shall sign the contract in the space provided beneath
3.14 the statement. A transaction that does not meet the provisions of a voluntary extension
3.15 of credit, including the issuance and signing of a voluntary extension of credit contract,
3.16 is a cash sale.

3.17 Sec. 3. **REPORT REQUIRED.**

3.18 By January 15, 2017, the commissioner of agriculture must report recommendations
3.19 to the legislative committees with jurisdiction over agriculture policy and finance
3.20 regarding opportunities to improve:

3.21 (1) financial oversight of licensed grain buyers, utilizing to the greatest extent
3.22 practicable technology and coordination with relevant entities in order to minimize the
3.23 burden on licensees and the commissioner; and

3.24 (2) the methods used by the commissioner, private bond companies, and others to
3.25 monitor and evaluate the financial solvency of licensed grain buyers for the protection of
3.26 the state's agricultural producers.